

CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION BUREAU
CORPORATION FILE

Annual Report

TO STOCKHOLDERS
SEPTEMBER 30, 1950

Walgreen
DRUG STORES



Walgreen Co.

Officers and Directors

CHARLES R. WALGREEN, JR..... *Director—President*
 SANFORD J. BOWYER..... *Director—Vice President*
 H. TRACY FOWLER..... *Director—Vice President*
 ROBERT G. KNIGHT..... *Director—Vice President and Treasurer*
 BERT O. PINCH..... *Director—Assistant Secretary*
 ROLAND G. SCHMITT..... *Director—Vice President and Secretary*
 A. L. STARSHAK..... *Director—Vice President*
 RAY E. WALKER..... *Director—Agency Division*
 JAMES E. WARD..... *Director—Vice President*
 O. G. GILE..... *Assistant Secretary*
 P. J. REDFORD..... *Assistant Secretary*
 C. S. ZALEWSKI..... *Comptroller*

Company General Auditor..... M. W. PRATT
Public Accountants and Auditors..... ARTHUR ANDERSEN & CO.

Transfer Agents FIRST NATIONAL BANK, CHICAGO
 GUARANTY TRUST CO., NEW YORK

Registrars HARRIS TRUST & SAVINGS BANK, CHICAGO
 COMMERCIAL NATIONAL BANK & TRUST CO., NEW YORK



to Our

Earnings per share for our recently closed fiscal year were \$2.70. For our previous year, per-share earnings of \$3.20 included a non-recurring profit of 42 cents a share from the sale of investments.

Sales, in comparison with the year before, were lower in the first part of the fiscal year, improving during late spring. Drug stores did not share in the heavy consumer buying in July. However, commencing with August, we have had a small, but consistent, improvement, bringing our sales slightly ahead for the fiscal year.

The number of stores in operation at September 30 was 410, compared to 414 last year. This slight change was the resultant of a number of new stores opened, some eliminations and consolidations. We enlarged several stores and remodeled many others. The total expenditures for improvement to leased properties was much less than last year's very high amount. Expenditures for this year were all written off against current earnings. Of last year's expenditures, the greater part was charged to the remainder of a reserve created for that purpose in prior years, the balance charged against earnings being approximately the same amount as this year.

While we have completed the major part of a heavy backlog of postwar physical improvement and rehabilitation, it appears very likely that such activities will continue for some years at the reduced but still sizable level which characterized the year just closed.

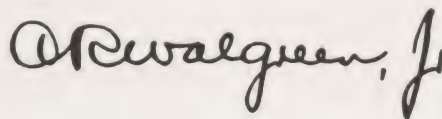
Stockholders

The business of Sanborns, our Mexican affiliate, has risen to a much more satisfactory level, and now includes the operation of a large restaurant in the Del Prado, Mexico City's finest hotel. We provided added capital required in the expanding of this business by exercising in part our option to purchase additional shares to the extent of two and one-half million pesos (\$289,250).

As forecast in my letter to you of April 29, we recently called our preferred stock, providing the funds by a \$5,000,000 ten-year loan at a 2½% interest rate and minimum annual principal payments of \$350,000, and the remainder from company cash. At present rates of income tax, this change should benefit each common share by more than 12 cents in annual earnings.

We do not at present see a likelihood of shortage in the supply of most of the items which our stores sell, and while we expect numerous operational difficulties, feel that we are in good condition to meet them.

Sincerely,



President.

Chicago, November 25, 1950.

Walgreen Co. and Subsidiary Companies

COMPARATIVE BALANCE SHEET—

ASSETS

	<u>1950</u>	<u>1949</u>
CURRENT ASSETS:		
Cash	\$ 7,373,782	\$ 9,004,995
United States Government securities	1,052,654	2,253,600
Accounts receivable, less reserves	1,551,236	1,531,354
Inventories of merchandise, priced at the lower of cost or market, less reserves	21,565,881	20,575,833
TOTAL CURRENT ASSETS	<u>31,543,553</u>	<u>33,365,782</u>
PREPAID RENT, INSURANCE, TAXES, ETC.	<u>877,549</u>	<u>694,850</u>
INVESTMENTS IN AND ADVANCES TO AFFILIATED AND OTHER COMPANIES, at cost	<u>1,446,196</u>	<u>1,186,708</u>
FIXED ASSETS, at cost:		
Land	246,438	481,446
Buildings (on owned and leased land)	1,508,940	1,881,372
Equipment	15,648,100	14,501,904
	<u>17,403,478</u>	<u>16,864,722</u>
Less—Reserves for depreciation	8,103,295	7,641,904
TOTAL FIXED ASSETS	<u>9,300,183</u>	<u>9,222,818</u>
GOODWILL, LEASEHOLDS, LEASEHOLD IMPROVEMENTS, ETC., at nominal amount	<u>1</u>	<u>1</u>
	<u>\$43,167,482</u>	<u>\$44,470,159</u>

SEPTEMBER 30, 1950 and 1949

LIABILITIES

	<u>1950</u>	<u>1949</u>
CURRENT LIABILITIES:		
Trade accounts payable	\$ 5,392,757	\$ 5,681,169
Accrued expenses and taxes, and other liabilities	3,583,145	4,383,055
Federal income taxes	2,728,805	3,079,412
Current maturity on 2½% note	350,000	—
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	12,054,707	13,143,636
	<hr/>	<hr/>
2½% NOTE, due August 15, 1960; a minimum amount of \$350,000 is due annually (current maturity included above)	4,650,000	—
	<hr/>	<hr/>

CAPITAL STOCK AND SURPLUS:

Preferred stock, 4% cumulative, total par value outstanding; entire issue canceled and retired in September, 1950	—	5,848,000
Common stock without par value—		
Authorized 1,955,522 shares; issued and outstanding 1,292,485 shares	11,484,112	11,484,112
	<hr/>	<hr/>
Earned surplus, per accompanying statement	14,978,663	13,994,411
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TOTAL CAPITAL STOCK AND SURPLUS	26,462,775	31,326,523
	<hr/>	<hr/>
	<u>\$43,167,482</u>	<u>\$44,470,159</u>

Walgreen Co. and Subsidiary Companies

COMPARATIVE STATEMENT OF PROFIT AND LOSS

For the Years Ended September 30, 1950 and 1949

	<u>1950</u>	<u>1949</u>
SALES AND OTHER INCOME:		
Net sales and other store income	\$163,395,316	\$163,365,019
Other income (net)	238,495	955,804
	<u>163,633,811</u>	<u>164,320,823</u>
COSTS AND DEDUCTIONS:		
Cost of sales and of selling, occupancy and administration, except depreciation	155,039,577	155,032,236
Depreciation of buildings and equipment	988,423	969,421
Provision for contribution to employees' retirement pension trust....	814,000	732,000
Improvements to leased properties	551,889	1,400,960
Portion of improvements to leased properties charged to reserve....	—	900,000
Provision for Federal and State income taxes (Federal income taxes for 1950 have been computed in accordance with the rates provided in the Revenue Act of 1950)	2,580,000	2,710,000
	<u>159,973,889</u>	<u>159,944,617</u>
NET PROFIT (see note)	<u><u>\$ 3,659,922</u></u>	<u><u>\$ 4,376,206</u></u>

NOTE: The above net profit for 1949 includes nonrecurring items (principally profit from the sale of investments included in other income) of a net amount of approximately \$550,000 after related Federal income taxes.

COMPARATIVE STATEMENT OF EARNED SURPLUS

For the Years Ended September 30, 1950 and 1949

BALANCE BEGINNING OF YEAR	\$ 13,994,411	\$ 12,246,502
NET PROFIT	3,659,922	4,376,206
	<u>17,654,333</u>	<u>16,622,708</u>
DEDUCT:		
Dividends paid—		
To preferred stockholders	167,713	237,200
To common stockholders—\$1.85 per share	2,391,097	2,391,097
Premium on preferred stock redeemed, including amount equal to accrued dividends at date of redemption	116,860	—
	<u>2,675,670</u>	<u>2,628,297</u>
BALANCE END OF YEAR	<u><u>\$ 14,978,663</u></u>	<u><u>\$ 13,994,411</u></u>

ARTHUR ANDERSEN & CO.

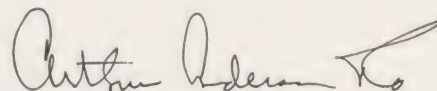
120 SOUTH LA SALLE STREET
CHICAGO 3

To the Board of Directors,

WALGREEN Co.:

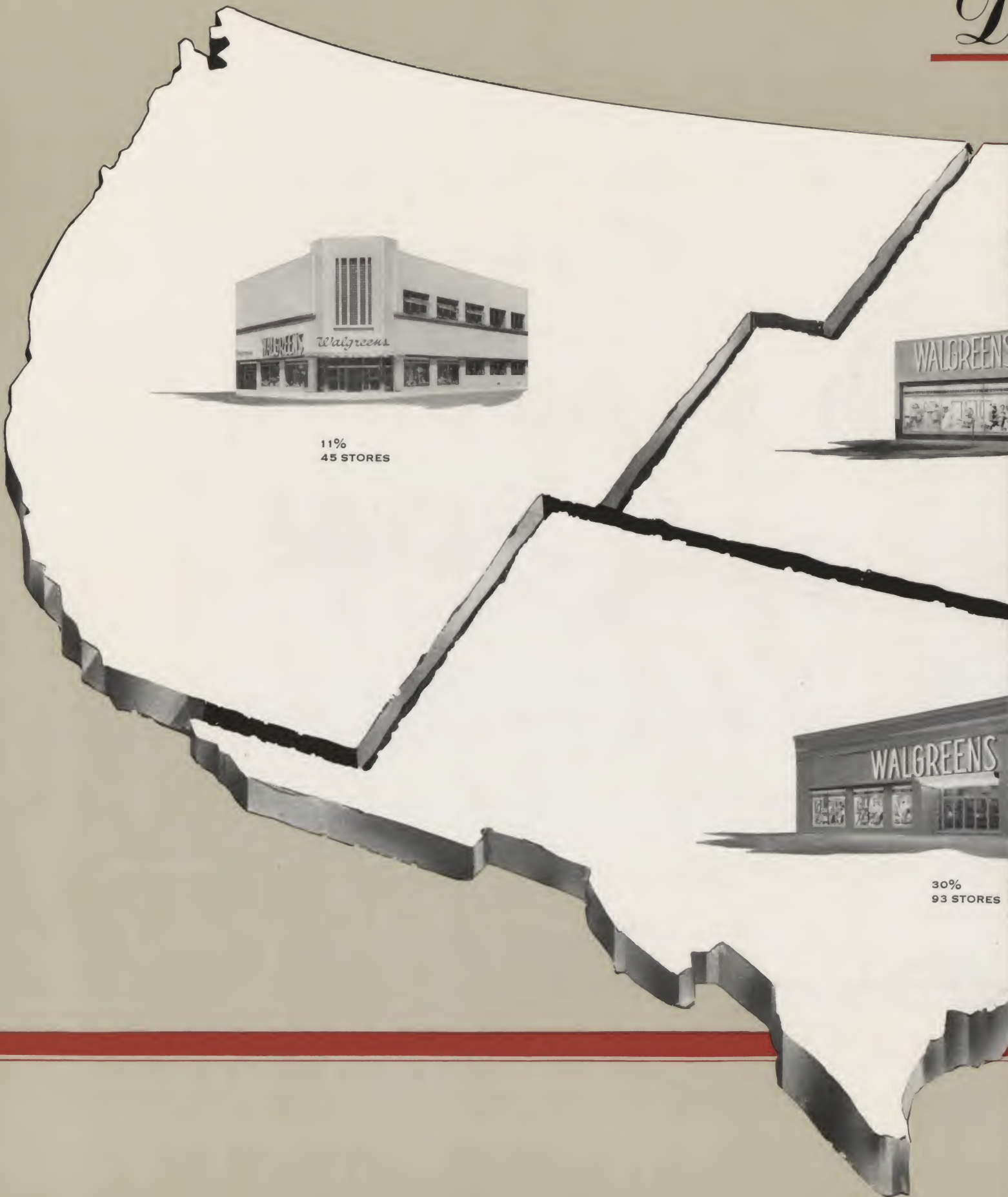
We have examined the consolidated balance sheet of WALGREEN Co. (an Illinois corporation) AND SUBSIDIARY COMPANIES as of September 30, 1950, and the related statements of consolidated profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had previously made a similar examination for the year ended September 30, 1949.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated profit and loss and earned surplus present fairly the financial position of Walgreen Co. and subsidiary companies as of September 30, 1950, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, appearing to read "Arthur Andersen Co.", is positioned in the lower right quadrant of the page.

Chicago, Illinois,

November 15, 1950.



11%
45 STORES



30%
93 STORES



Distribution of Sales



49%
231 STORES



10%
41 STORES





We strive to make each new Walgreen store outstanding in its community. Our store located in Eau Claire, Wisconsin is typical.

Strong exterior identification attracts heavy shopper traffic to our improved Hot Springs, Arkansas unit. Up-to-the-minute equipment enables us to serve this increased patronage in a manner which causes customers to return.



This is the interior of one of our recently remodeled Minneapolis stores. Designed for free traffic flow and maximum merchandise exposure, every popular drug store need is available here.

Prepared for the Future

Your company is in good physical condition and prepared to face the future with confidence. During the last four years, we have intensified our normal modernization program. We have built a substantial number of new stores as well as new warehouses, manufacturing units and other key physical facilities. Other stores have been improved, remodeled and re-equipped. We believe you will be interested in the typical examples of our sound current physical condition shown on these and the following pages.



Progress in a most important department is well reflected in this view of the modern prescription facilities offered by our store at 7059 S. Jeffery, Chicago.



Our newly installed store in Beaumont, Texas offers gratifying proof that "better stores mean better business", volume in this city now being at an all time high.



Here, in our recently completed central Display Department and Sign Shop, new methods and techniques for sales stimulation are tested and explored, then developed for nationwide use. Ample working space, coupled with a high degree of mechanization, means increased output, better service, lowered costs.



The new Chicago Commissary, housing our central Ice Cream, Commissary and Bakery Departments, is as fine a plant of its kind as there is in the country. Occupying 50,000 square feet, the entire structure has gleaming tiled walls, floors and exterior. Nothing has been left undone to insure the quality, condition and tastiness of the products manufactured and processed here.

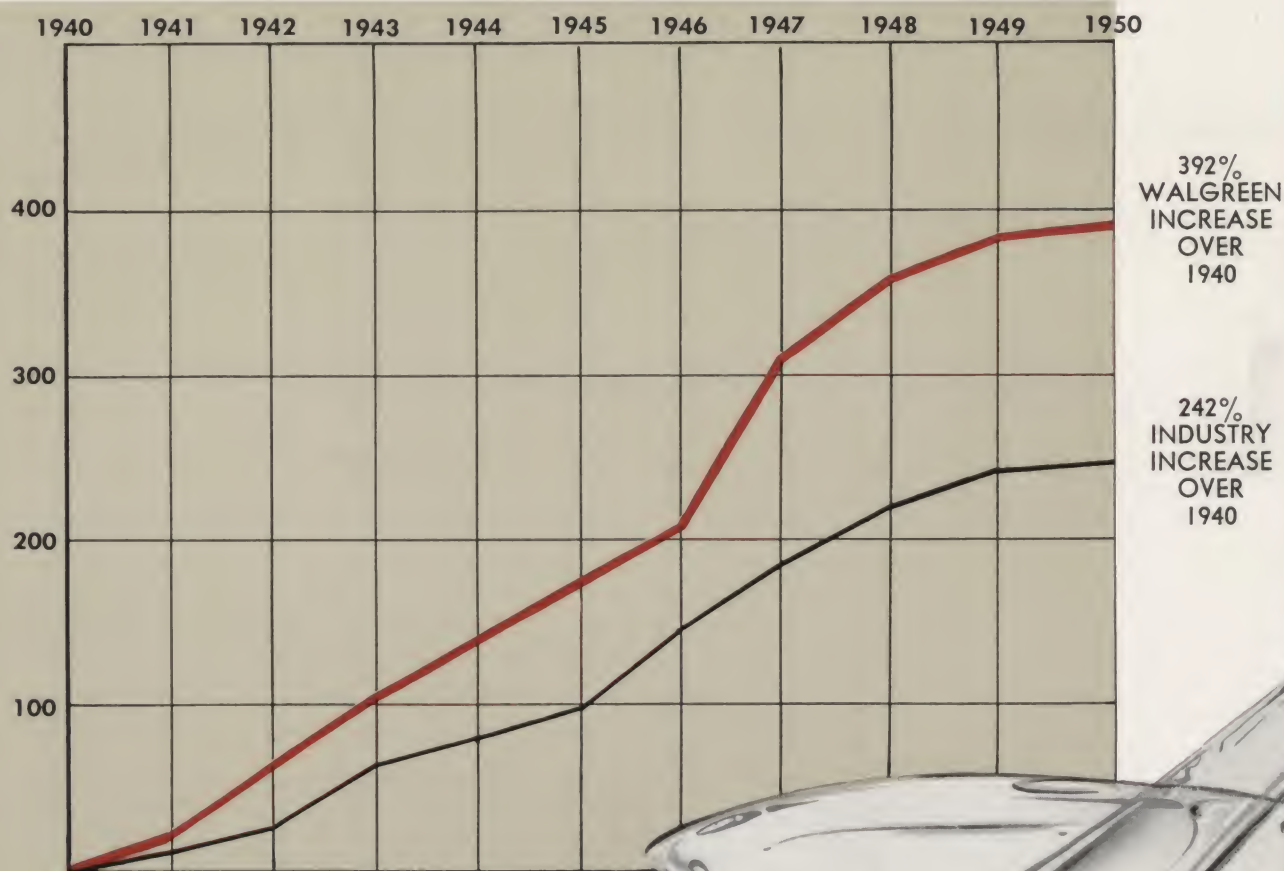
"Behind Scenes" Improvements

PROMOTE INCREASED EFFICIENCY

Far more than most people realize, the continued successful operation of our stores depends upon improved efficiency developed out of public view. In warehouses—where we constantly check improved methods to expedite the heavy flow of merchandise—in commissaries—where equipment and facilities must be the best installed anywhere to satisfy us—keep ahead of progress is a standing order. This same thinking applies to our new Display Department and Sign Shop where ideas with maximum sales appeal are thriftily developed for nationwide store use. It is our belief that the service units shown here are outstanding in their field—and typical of Walgreen's.



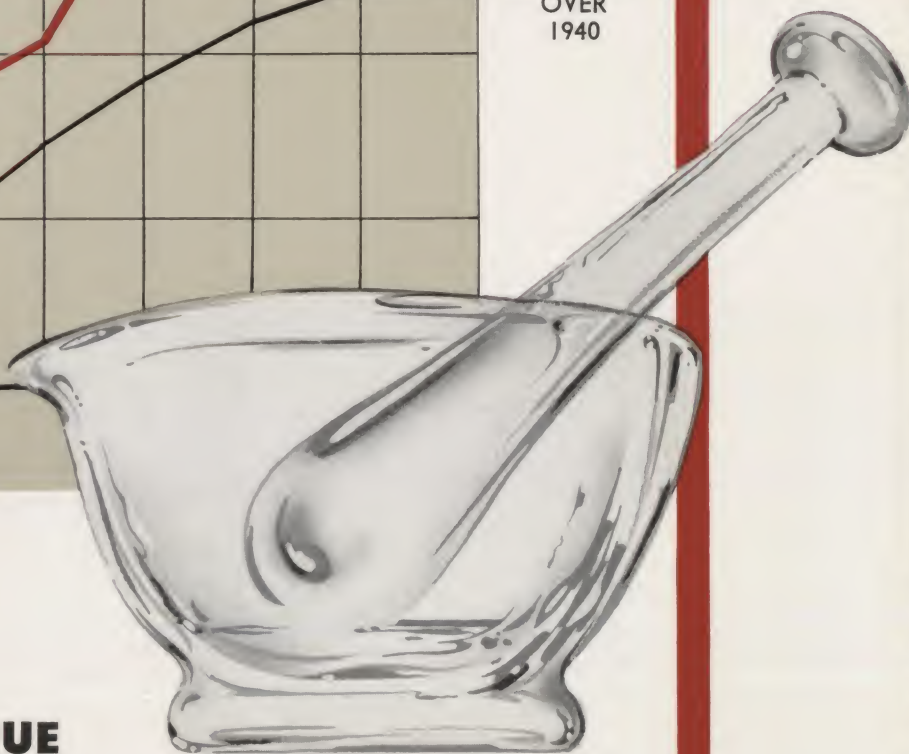
Your company operates 12 warehouses to funnel the thousands of carloads of merchandising annually flowing through to our stores. To move this heavy tonnage speedily, efficiently and economically requires the best and most modern machinery, methods and manpower. We are well equipped in this regard.



Prescription

GAINS CONTINUE

Progress in the important fields of Science and Medicine continues unabated and our Prescription Departments are ever alert to keep abreast. We constantly endeavor to keep our pharmacists fully informed about new products and new techniques—to make new drugs immediately available to the medical profession and to their patients. As a result, our volume of prescription business continues to grow—and at a rate considerably better than that of drug stores generally, as is graphically shown on the chart above.





PACE SETTING

Fountain Service

Early in our history, we set the pace in the soda-fountain business, pioneering innovations that eventually became industry standard. Today our new and uniquely designed fountains and fountain equipment, engineered from the latest time and motion study techniques and principles, is a typical example of maintained leadership. Scaled for peak efficiency, our new fountain units are more compact than ever before, conserving space and personnel steps, providing customers more rapid service—an invaluable aid to overall store merchandising.

Walgreen Drug Stores emphasize the serving of good food and appetite appealing fountain specialties at moderate prices.

When visiting Mexico, we suggest that you become acquainted with Sanborns in Mexico City and Monterrey, in which we own a substantial interest. Delicious Mexican and American foods are featured and served in most attractive surroundings. The picture at right shows a part of our modern fountain operation in Sanborns famous "House of Tiles".



While our fountain menus differ in order to cater to regional tastes we have only one standard of food quality—the best.

Signs **WORTH WATCHING FOR**

Walgreen's

Here is the familiar sign that quickly identifies a drug store owned and operated by your company—a sign widely recognized as identifying the drug stores that offer America's best drug store values.

JONES

Walgreen Agency

DRUGS

... and here is the familiar sign that identifies a Walgreen Agency Drug Store. Each of these independently owned and operated drug stores has been carefully selected because of its prominence, progressiveness and high standing in those communities in which our own stores are not located.

We believe that both Walgreen and Walgreen Agency Drug Stores deserve your patronage—as a Walgreen stockholder and as a discerning, value-wise customer.



